

# HOUSE BILL 553

C8

(4lr0115)

## ENROLLED BILL

— *Environmental Matters/Education, Health, and Environmental Affairs* —

Introduced by **Chair, Environmental Matters Committee (By Request – Departmental – Housing and Community Development)**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this

\_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_\_ M.

\_\_\_\_\_  
Speaker.

CHAPTER \_\_\_\_\_

AN ACT concerning

### **Housing – Energy–Efficient Homes Construction Loan Program**

FOR the purpose of establishing the Energy–Efficient Homes Construction Loan Program; establishing the purpose of the Program; requiring and authorizing the Department of Housing and Community Development to perform certain duties; requiring the Department to submit a certain periodic report to the General Assembly; specifying the uses of a loan under the Program; setting certain requirements for a mortgage lien that secures a certain loan; requiring an applicant for a certain loan to submit certain documentation and information; prohibiting certain actions in connection with the Program; establishing certain penalties; establishing the Energy–Efficient Homes Construction Fund as a special, nonlapsing fund; requiring the Department to administer the Fund; requiring the State Treasurer to hold the Fund and the Comptroller to account for the Fund; specifying the contents of the Fund;

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**EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.**

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.

*Italics* indicate opposite chamber/conference committee amendments.



specifying the ~~purpose~~ purposes for which the Fund may be used; providing for the investment of money in the Fund; requiring the Department to adopt certain regulations; defining certain terms; and generally relating to construction financing for energy-efficient homes.

BY adding to

Article – Housing and Community Development  
 Section 4–2001 through 4–2006 to be under the new subtitle “Subtitle 20.  
 Energy–Efficient Homes Construction Loan Program”  
 Annotated Code of Maryland  
 (2009 Replacement Volume and 2013 Supplement)

BY repealing and reenacting, with amendments,

Article – State Finance and Procurement  
 Section 6–226(a)(2)(ii)76. and 77.  
 Annotated Code of Maryland  
 (2009 Replacement Volume and 2013 Supplement)

BY adding to

Article – State Finance and Procurement  
 Section 6–226(a)(2)(ii)78.  
 Annotated Code of Maryland  
 (2009 Replacement Volume and 2013 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

**Article – Housing and Community Development**

**SUBTITLE 20. ENERGY–EFFICIENT HOMES CONSTRUCTION LOAN PROGRAM.**

**4–2001.**

(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(B) “FUND” MEANS THE ENERGY–EFFICIENT HOMES CONSTRUCTION FUND.

(C) “LOW–ENERGY HOME” MEANS A HOME THAT ~~IS DESIGNED TO BE AT LEAST 60% MORE ENERGY EFFICIENT THAN A HOME BUILT TO APPLICABLE BUILDING CODE STANDARDS IN EFFECT BEFORE JULY 1, 2014~~ ACHIEVES A HOME ENERGY RATING SYSTEM (HERS) INDEX RATING:

(1) OF 50 OR LOWER; OR

**(2) AS DETERMINED BY THE DEPARTMENT IN REGULATIONS.**

**(D) “NET-ZERO HOME” MEANS A HOME THAT IS DESIGNED TO PRODUCE AN AMOUNT OF ENERGY IN 1 YEAR THAT IS EQUAL TO THE AMOUNT OF ENERGY THAT THE HOME USES IN 1 YEAR.**

**(E) “PROGRAM” MEANS THE ENERGY-EFFICIENT HOMES CONSTRUCTION LOAN PROGRAM.**

~~**(F) “SUSTAINABLE COMMUNITY” HAS THE MEANING STATED IN § 6-201 OF THIS ARTICLE.**~~

**4-2002.**

**(A) THERE IS AN ENERGY-EFFICIENT HOMES CONSTRUCTION LOAN PROGRAM.**

**(B) THE PURPOSE OF THE PROGRAM IS TO PROVIDE CONSTRUCTION LOANS TO PERSONS TO CONSTRUCT LOW-ENERGY HOMES AND NET-ZERO HOMES ~~IN SUSTAINABLE COMMUNITIES.~~**

**(C) THE PROGRAM SHALL BE OPERATED WITH MONEY IN THE FUND.**

**4-2003.**

**(A) THE DEPARTMENT SHALL:**

**(1) ADMINISTER THE PROGRAM;**

**(2) ATTACH TO A PROGRAM LOAN THE TERMS NEEDED TO CARRY OUT THE PROGRAM;**

**(3) ESTABLISH ELIGIBILITY STANDARDS FOR PROGRAM LOANS;**

**(4) ESTABLISH INTEREST RATES THAT MAY BE AS LOW AS 0% OR AS HIGH AS IS REASONABLE TO MAKE THE PROJECT VIABLE; AND**

**(5) ADOPT REGULATIONS TO CARRY OUT THE PROGRAM, INCLUDING REGULATIONS DESIGNED TO INCREASE PARTICIPATION OF MINORITY BUSINESS ENTERPRISES IN THE PROGRAM.**

**(B) IN SETTING THE TERMS AND INTEREST RATES FOR PROGRAM LOANS, THE DEPARTMENT MAY:**

(1) OFFER PREFERRED INTEREST RATES AND TERMS FOR LOANS USED TO FINANCE NET-ZERO HOMES; AND

(2) ESTABLISH DIFFERENT INTEREST RATES BASED ON THE PROJECTED ENERGY EFFICIENCY OF THE HOME TO BE CONSTRUCTED.

(C) THE DEPARTMENT MAY:

(1) CONTRACT FOR SERVICES RELATED TO THE PROGRAM;

(2) CONTRACT WITH PRIVATE MORTGAGE SERVICERS TO PERFORM ON BEHALF OF THE DEPARTMENT FUNCTIONS THE SERVICERS ORDINARILY PERFORM, INCLUDING FORECLOSURE AND EMPLOYMENT OF COUNSEL;

(3) CHARGE A NONREFUNDABLE APPLICATION FEE AND OTHER CUSTOMARY LOAN FEES;

(4) ENTER INTO AGREEMENTS WITH LENDERS OR OTHER ENTITIES TO PROVIDE CREDIT ENHANCEMENT OR COLLECTIVELY LEND MONEY FOR THE CONSTRUCTION OF NET-ZERO AND LOW-ENERGY HOMES;

(5) PURCHASE OR COMMIT TO PURCHASE FROM MORTGAGE LENDERS NOTES OR MORTGAGES THAT MEET THE REQUIREMENTS OF THIS SUBTITLE, ANY REGULATIONS ADOPTED UNDER THIS SUBTITLE, AND APPROPRIATE PROGRAM DIRECTIVES;

(6) MODIFY THE INTEREST RATE, THE TIME OR AMOUNT OF PAYMENT, OR ANY OTHER TERM OF A PROGRAM LOAN TO FACILITATE REPAYMENT OF THE PROGRAM LOAN AND TO ACHIEVE THE PURPOSE OF THE PROGRAM; AND

(7) WITHOUT APPROVAL OR EXECUTION BY THE BOARD OF PUBLIC WORKS:

(I) ASSIGN A MORTGAGE FOR VALUE;

(II) RELEASE A MORTGAGE;

(III) FORECLOSE A MORTGAGE;

(IV) ACQUIRE PROPERTY THAT SECURES A LOAN IN DEFAULT; AND

(V) ENCUMBER, SELL, OR OTHERWISE DISPOSE OF PROPERTY ACQUIRED IN CONNECTION WITH A LOAN IN DEFAULT.

(D) EVERY 6 MONTHS BEGINNING JANUARY 1, 2015, THE DEPARTMENT SHALL SUBMIT A REPORT TO THE GENERAL ASSEMBLY, IN ACCORDANCE WITH § 2-1246 OF THE STATE GOVERNMENT ARTICLE, ON REGULATIONS ADOPTED UNDER SUBSECTION (A)(5) OF THIS SECTION TO INCREASE PARTICIPATION OF MINORITY BUSINESSES IN THE PROGRAM AND THE OUTCOME OF THAT EFFORT.

4-2004.

(A) PROCEEDS OF A PROGRAM LOAN SHALL BE USED ONLY FOR:

(1) PROPERTY ACQUISITION AND DEVELOPMENT COSTS FOR THE CONSTRUCTION OF A NET-ZERO HOME OR LOW-ENERGY HOME ~~IN A SUSTAINABLE COMMUNITY~~; AND

(2) SETTLEMENT AND CLOSING COSTS.

(B) A PROGRAM LOAN SHALL BE SECURED BY A MORTGAGE LIEN THAT:

(1) MAY BE SUBORDINATE TO OTHER MORTGAGE LIENS; AND

(2) MAY INCLUDE TERMS, INCLUDING DEFERRED PAYMENT OF PRINCIPAL AND INTEREST, THAT THE DEPARTMENT CONSIDERS NECESSARY TO MAKE THE PROJECT VIABLE.

(C) TO APPLY FOR A LOAN UNDER THIS SUBTITLE, AN APPLICANT SHALL SUBMIT:

(1) A COMPLETED APPLICATION IN A FORM THAT THE DEPARTMENT REQUIRES;

(2) INFORMATION ON PROJECTED ENERGY USAGE, PROJECT DESIGN, AND MARKETING DATA; AND

(3) ANY OTHER INFORMATION OR DOCUMENTATION THAT THE DEPARTMENT CONSIDERS NECESSARY TO MAKE A DETERMINATION ON THE LOAN.

(D) THE DEPARTMENT MAY GIVE A PREFERENCE TO AN APPLICATION FOR:

(1) A NET-ZERO HOME; OR

**(2) A PROJECT THAT INCLUDES FINANCING FROM OTHER SOURCES IN ADDITION TO THE PROGRAM LOAN.**

**4-2005.**

**(A) (1) A PERSON MAY NOT KNOWINGLY MAKE OR CAUSE TO BE MADE A FALSE STATEMENT OR REPORT IN A DOCUMENT REQUIRED TO BE SUBMITTED TO THE DEPARTMENT UNDER AN AGREEMENT RELATING TO A PROGRAM LOAN.**

**(2) A LOAN APPLICANT MAY NOT KNOWINGLY MAKE OR CAUSE TO BE MADE ANY FALSE STATEMENT OR REPORT TO INFLUENCE AN ACTION OF THE DEPARTMENT ON A PROGRAM LOAN APPLICATION OR A PROGRAM LOAN ALREADY MADE.**

**(B) A PERSON WHO VIOLATES THIS SECTION IS GUILTY OF A MISDEMEANOR AND ON CONVICTION IS SUBJECT TO IMPRISONMENT NOT EXCEEDING 5 YEARS OR A FINE NOT EXCEEDING \$50,000 OR BOTH.**

**4-2006.**

**(A) THERE IS AN ENERGY-EFFICIENT HOMES CONSTRUCTION FUND.**

**(B) THE DEPARTMENT SHALL ADMINISTER THE FUND.**

**(C) (1) THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS NOT SUBJECT TO § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.**

**(2) THE STATE TREASURER SHALL HOLD THE FUND SEPARATELY, AND THE COMPTROLLER SHALL ACCOUNT FOR THE FUND.**

**(D) THE FUND CONSISTS OF:**

**(1) MONEY APPROPRIATED IN THE STATE BUDGET TO THE FUND;**

**(2) REPAYMENTS OR PREPAYMENTS OF PRINCIPAL AND PAYMENTS OF INTEREST ON LOANS MADE UNDER THE ENERGY-EFFICIENT HOMES CONSTRUCTION LOAN PROGRAM;**

**(3) INVESTMENT EARNINGS OF THE FUND; AND**

**(4) ANY OTHER MONEY FROM ANY OTHER SOURCE ACCEPTED FOR THE BENEFIT OF THE FUND.**

**(E) THE DEPARTMENT MAY USE THE FUND ONLY TO:**

- (1) PAY EXPENSES OF THE PROGRAM; ~~AND~~**
- (2) PROVIDE CREDIT ENHANCEMENT UNDER THE PROGRAM; AND**
- (3) MAKE OR PURCHASE LOANS UNDER THE PROGRAM.**

**(F) (1) THE STATE TREASURER SHALL INVEST THE MONEY OF THE FUND IN THE SAME MANNER AS OTHER STATE MONEY MAY BE INVESTED.**

**(2) ANY INVESTMENT EARNINGS OF THE FUND SHALL BE PAID INTO THE FUND.**

**Article – State Finance and Procurement**

6–226.

(a) (2) (ii) The provisions of subparagraph (i) of this paragraph do not apply to the following funds:

76. the Baltimore City Public School Construction Financing Fund; [and]

77. the Spay/Neuter Fund; AND

**78. THE ENERGY–EFFICIENT HOMES CONSTRUCTION FUND.**

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2014.

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.